

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary    Public

**Date:** 12/7/2010

**GAIN Report Number:**

## United Kingdom EU-27

**Post:** London

### Crop update - how much can the EU-27 export

**Report Categories:**

Grain and Feed

**Approved By:**

Daryl Brehm

**Prepared By:**

Steve Knight

**Report Highlights:**

With Member States starting to publish provisional harvest estimates for 2010, the total MY2010/11 EU-27 grain crop is now expected to reach 276 MMT. Within this total, wheat production is put at 136 MMT, barley at 53.5 MMT and corn at 55 MMT. Following a mixed growing season and challenging harvest conditions in some parts of the European Union, it is the quality of the grain crop – particularly in Germany - and its impact on likely trade flows, both intra-EU and extra-EU, that is the main topic of discussion. This interest in trade is further exacerbated by the Russian grain export ban and the Ukrainian export quotas. Indeed, wheat exports which remained strong through to the end of the 2009/10 campaign, surpassing 22 MMT, have got off to a very strong start this season, particularly from France but also from the UK. How long this pace can continue is the subject of much discussion among market sources, especially given the lack of viable alternative origins. However, the focus is not just on exports. Due to the price differentials, the reduced availability of grain and the quality concerns in some parts of the EU-27, the first three months of the season have seen an increase in EU-27 wheat imports, most notably of U.S. origin high quality wheat. Corn imports are also forecast to rise in

MY2010/11. Despite this, the overall EU-27 grain balance remains tight and prices high. This is expected to be felt most strongly in the livestock sector with feed consumption of grain again forecast to decline in MY2010/11.

## **General Information:**

### Introduction

This report presents the outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2010/2011. Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU and is not official USDA data.

This report would not have been possible without the valuable expert contributions from the following Foreign Service analysts:

Dietmar Achilles, FAS/Bonn  
Xavier Audran, FAS/Paris  
Mila Boshnakova, FAS/Sofia  
Monica Dobrescu, FAS/Bucharest  
Bob Flach, FAS/The Hague  
Marta Guerrero, FAS/Madrid  
Jana Mikulasova, FAS/Prague  
Steve Knight, FAS/London  
Roswitha Krautgartner, FAS/Vienna  
Asa Lexmon, FAS/Stockholm  
Agata Kingsbury, FAS/Warsaw  
Ferenc Nemes, FAS/Budapest  
Ornella Bettini, FAS/Rome  
Stefano Baldi, FAS/Rome  
Barrie Williams, FAS/USEU/Brussels

HA = Hectares

MT = Metric Tonne

MY = Marketing Year. Post and USDA official data both follow the EU local marketing year of July to June except for corn which follows an October to September calendar

TY = July to June for wheat and October to September for coarse grains

### Executive Summary

With some Member States starting to publish first provisional harvest estimates for 2010, the total

MY2010/11 EU-27 grain crop is now expected to reach 276 MMT. This is 17 MMT down on MY2009/10 and 36 MMT down on the record MY2008/09 harvest. Within this total, the EU-27 wheat, barley and corn harvests are estimated at 136 MMT, 53.5 MMT and 55 MMT, respectively. Despite the reduced size of this harvest, the large size of the previous two harvests means that the EU-27 has carried substantial grain stocks into this season, including around 6 MMT of intervention grain of which nearly 5.5 MMT is barley. Despite some concerns over grain quality in parts of the EU-27 - especially in Germany - the Russian export ban, the recently confirmed Ukrainian grain export quotas and the generally tight global grain situation means that the EU-27 is likely to be a popular export origin in MY2010/11. Additionally, EU-27 FSI use is forecast to rise again in MY2010/11, in large part due to a further increase in biofuels inclusion. Even with a significant drawdown in grain stocks forecast, including the release of all of the barley intervention stocks, prices are expected to remain high and it is the livestock sector that is expected to be most affected. While some increase in feed grain imports is anticipated, mainly of corn, the higher prices are expected to see an increase in the inclusion of alternative ingredients. As such, feed consumption of grain is forecast to fall substantially again in MY2010/11.

Following a downward revision to the wheat feed use number in MY2009/10, and despite buoyant exports through to the end of the MY2009/10 season, wheat opening stocks for MY2010/11 are now estimated at just under 16MMT. Wheat imports are currently forecast at 5.5 MMT this season – the lower quality of the EU-27 crop increasing the need for imported high quality wheat, including an increased proportion from the U.S. As such, with production currently estimated at 136 MMT, the EU-27 is forecast to be a significant player on the export market and is currently forecast to again export 22 MMT of wheat in MY2010/11. The reduced quality of Germany's wheat crop means its third country exports are forecast down. However, third country exports from France (the EU's largest wheat exporter), where quality is described as good, and from the UK have started the season at a brisk pace. How long this pace can be maintained is the subject of much speculation within the trade. Increased third country exports are also expected from the likes of Romania, Bulgaria and Hungary but, again, the recent pace has slowed. Even so, the aforementioned reduction in competition from Black Sea origins means there are strong expectations of good wheat sales, not only to the Middle East and North Africa but also to the likes of the Philippines, South Korea and Bangladesh. Any variation in the export number is expected to be reflected in the ending stock number. Increased FSI use, notably in the bioethanol markets in the UK and the Netherlands, is forecast to see this sector utilize an additional 1.5 MMT in MY 2010/11 while the higher prices are expected to see a further reduction in feed use of wheat.

EU-27 barley opening stocks for MY2010/11 are buoyed by the almost 5.5 MMT held in intervention by the European Commission. With the confirmation that most, if not all, of these stocks will be released this season, this will go some way to countering the impact of the much reduced crop of just 53.5

MMT following a significant fall in the planted area. Like wheat, EU-27 barley exports are expected to benefit from the reduced competition from Black Sea origins this season and are currently forecast to reach 4.5 MMT. The lower overall quality of the MY2010/11 crop has reduced the proportion of malting grade barley available but domestic use of barley in the animal feed sector is forecast unchanged at 41.5 MMT due to the reduced supplies while FSI use of barley is marginally increased.

The 2010 EU-27 corn harvest is all but complete. Production is now forecast to reach 55MMT, only marginally lower than previously suggested. Like wheat, feed use of corn has been revised downwards in MY2009/10, bolstering opening stocks for MY2010/11. Even so, strong demand for corn in feed in MY2010/11 due to the tight feed grain situation in the EU-27 means that increased imports are likely. That said, they are limited by the EU's position on biotechnology which not only affects U.S. origin supplies but also those from South America. FSI use is currently forecast unchanged although there is a suggestion that Spanish bioethanol facilities may switch to corn from wheat and barley as the season progresses. Exports, which would otherwise be expected to decline given the tightness of the balance sheet, are forecast little changed due to an anticipated increase in exports from Bulgaria and Romania and due to the Black Sea origin situation. As such, ending stocks are forecast to decline to just 4.2 MMT.

A year ago, low prices and high stocks held unsold from the previous season discouraged farmers from planting grains in MY2010/11. Twelve months later and the picture could not be much different. With farmers upbeat about prospects for the coming season there is talk of fallow land being brought back into grain production. In addition, a likely reduction in rapeseed plantings following the unfavorable weather in August and September means that, weather permitting, grain plantings are expected to rise this Fall.

## Appendices

### Wheat PSD

| Wheat EU-27       | 2008/2009                   |          | 2009/2010                   |          | 2010/2011                   |          |
|-------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
|                   | Market Year Begin: Jul 2008 |          | Market Year Begin: Jul 2009 |          | Market Year Begin: Jul 2010 |          |
|                   | USDA Official               | New Post | USDA Official               | New Post | USDA Official               | New Post |
| Area Harvested    | 26,671                      | 26,520   | 25,737                      | 25,650   | 25,853                      | 26,000   |
| Beginning Stocks  | 12,429                      | 12,429   | 18,469                      | 18,436   | 14,396                      | 15,841   |
| Production        | 151,122                     | 150,478  | 138,064                     | 138,500  | 136,258                     | 136,000  |
| MY Imports        | 7,737                       | 7,738    | 5,480                       | 5,520    | 5,500                       | 5,500    |
| TY Imports        | 7,737                       | 7,738    | 5,480                       | 5,520    | 5,500                       | 5,500    |
| TY Imp. from U.S. | 689                         | 689      | 545                         | 545      | 0                           | 0        |
| Total Supply      | 171,288                     | 170,645  | 162,013                     | 162,456  | 156,154                     | 157,341  |
| MY Exports        | 25,319                      | 25,351   | 22,117                      | 22,115   | 22,000                      | 22,000   |
| TY Exports        | 25,319                      | 25,351   | 22,117                      | 22,115   | 22,000                      | 22,000   |
| Feed and Residual | 61,000                      | 60,500   | 58,000                      | 56,500   | 54,500                      | 54,000   |

|                           |         |         |         |         |         |         |
|---------------------------|---------|---------|---------|---------|---------|---------|
| <b>FSI Consumption</b>    | 66,500  | 66,358  | 67,500  | 68,000  | 69,000  | 69,500  |
| <b>Total Consumption</b>  | 127,500 | 126,858 | 125,500 | 124,500 | 123,500 | 123,500 |
| <b>Ending Stocks</b>      | 18,469  | 18,436  | 14,396  | 15,841  | 10,654  | 11,841  |
| <b>Total Distribution</b> | 171,288 | 170,645 | 162,013 | 162,456 | 156,154 | 157,341 |
|                           |         |         |         |         |         |         |
| 1000 HA, 1000 MT          |         |         |         |         |         |         |

## Barley PSD

[illegible]

## Corn PSD

[illegible]

## Rye PSD

| Rye EU-27          | 2008/2009                   |          | 2009/2010                   |          | 2010/2011                   |          |
|--------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
|                    | Market Year Begin: Jul 2008 |          | Market Year Begin: Jul 2009 |          | Market Year Begin: Jul 2010 |          |
|                    | USDA Official               | New Post | USDA Official               | New Post | USDA Official               | New Post |
| Area Harvested     | 2,756                       | 2,748    | 2,704                       | 2,800    | 2,561                       | 2,550    |
| Beginning Stocks   | 1,013                       | 1,013    | 1,456                       | 1,420    | 1,829                       | 1,881    |
| Production         | 9,248                       | 9,246    | 9,412                       | 9,500    | 7,733                       | 8,000    |
| MY Imports         | 9                           | 9        | 10                          | 10       | 10                          | 10       |
| TY Imports         | 8                           | 8        | 10                          | 10       | 10                          | 10       |
| TY Imp. from U.S.  | 2                           | 2        | 0                           | 0        | 0                           | 0        |
| Total Supply       | 10,270                      | 10,268   | 10,878                      | 10,930   | 9,572                       | 9,891    |
| MY Exports         | 114                         | 114      | 99                          | 99       | 100                         | 100      |
| TY Exports         | 114                         | 114      | 150                         | 150      | 100                         | 100      |
| Feed and Residual  | 3,850                       | 3,850    | 4,000                       | 4,000    | 3,750                       | 3,750    |
| FSI Consumption    | 4,850                       | 4,884    | 4,950                       | 4,950    | 5,000                       | 5,000    |
| Total Consumption  | 8,700                       | 8,734    | 8,950                       | 8,950    | 8,750                       | 8,750    |
| Ending Stocks      | 1,456                       | 1,420    | 1,829                       | 1,881    | 722                         | 1,041    |
| Total Distribution | 10,270                      | 10,268   | 10,878                      | 10,930   | 9,572                       | 9,891    |
|                    |                             |          |                             |          |                             |          |

1000 HA, 1000 MT

## Sorghum PSD

| Sorghum EU-27      | 2008/2009                   |          | 2009/2010                   |          | 2010/2011                   |          |
|--------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
|                    | Market Year Begin: Jul 2008 |          | Market Year Begin: Jul 2009 |          | Market Year Begin: Jul 2010 |          |
|                    | USDA Official               | New Post | USDA Official               | New Post | USDA Official               | New Post |
| Area Harvested     | 96                          | 101      | 119                         | 115      | 117                         | 100      |
| Beginning Stocks   | 71                          | 71       | 34                          | 63       | 18                          | 7        |
| Production         | 517                         | 545      | 615                         | 600      | 620                         | 600      |
| MY Imports         | 359                         | 360      | 6                           | 6        | 300                         | 400      |
| TY Imports         | 66                          | 66       | 25                          | 25       | 300                         | 400      |
| TY Imp. from U.S.  | 2                           | 2        | 0                           | 0        | 0                           | 0        |
| Total Supply       | 947                         | 976      | 655                         | 669      | 938                         | 1,007    |
| MY Exports         | 8                           | 8        | 7                           | 7        | 5                           | 0        |
| TY Exports         | 4                           | 4        | 5                           | 5        | 5                           | 0        |
| Feed and Residual  | 900                         | 900      | 625                         | 650      | 900                         | 1,000    |
| FSI Consumption    | 5                           | 5        | 5                           | 5        | 5                           | 5        |
| Total Consumption  | 905                         | 905      | 630                         | 655      | 905                         | 1,005    |
| Ending Stocks      | 34                          | 63       | 18                          | 7        | 28                          | 2        |
| Total Distribution | 947                         | 976      | 655                         | 669      | 938                         | 1,007    |
|                    |                             |          |                             |          |                             |          |

1000 HA, 1000 MT

## Oats PSD

| Oats EU-27       | 2008/2009                   |          | 2009/2010                   |          | 2010/2011                   |          |
|------------------|-----------------------------|----------|-----------------------------|----------|-----------------------------|----------|
|                  | Market Year Begin: Jul 2008 |          | Market Year Begin: Jul 2009 |          | Market Year Begin: Jul 2010 |          |
|                  | USDA Official               | New Post | USDA Official               | New Post | USDA Official               | New Post |
| Area Harvested   | 3,008                       | 3,023    | 2,902                       | 2,850    | 2,725                       | 2,660    |
| Beginning Stocks | 625                         | 625      | 973                         | 923      | 1,167                       | 996      |
| Production       | 8,936                       | 8,886    | 8,518                       | 8,400    | 7,624                       | 7,500    |

|                           |       |       |       |       |       |       |
|---------------------------|-------|-------|-------|-------|-------|-------|
| <b>MY Imports</b>         | 4     | 4     | 5     | 2     | 5     | 5     |
| <b>TY Imports</b>         | 4     | 4     | 5     | 2     | 5     | 5     |
| <b>TY Imp. from U.S.</b>  | 0     | 0     | 0     | 0     | 0     | 0     |
| <b>Total Supply</b>       | 9,565 | 9,515 | 9,496 | 9,325 | 8,796 | 8,501 |
| <b>MY Exports</b>         | 92    | 92    | 229   | 229   | 300   | 100   |
| <b>TY Exports</b>         | 103   | 103   | 225   | 229   | 300   | 100   |
| <b>Feed and Residual</b>  | 6,700 | 6,700 | 6,300 | 6,300 | 6,050 | 5,900 |
| <b>FSI Consumption</b>    | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| <b>Total Consumption</b>  | 8,500 | 8,500 | 8,100 | 8,100 | 7,850 | 7,700 |
| <b>Ending Stocks</b>      | 973   | 923   | 1,167 | 996   | 646   | 701   |
| <b>Total Distribution</b> | 9,565 | 9,515 | 9,496 | 9,325 | 8,796 | 8,501 |
|                           |       |       |       |       |       |       |
| 1000 HA, 1000 MT          |       |       |       |       |       |       |

## Mixed Grain PSD

[illegible]